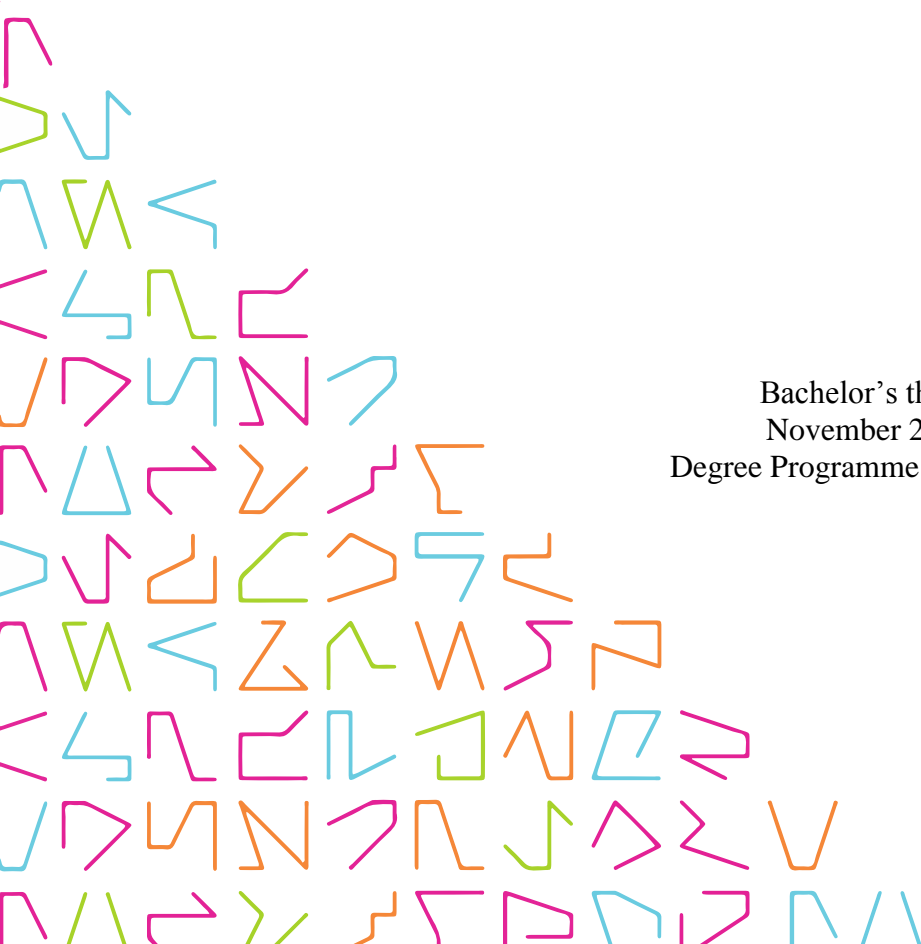


IMPACT OF THE OLYMPIC GAMES UPON THE TOURISTIC SECTOR OF A REGION

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ABSTRACT

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Olympic Games is a big scale event affecting a host country in a variety of ways and supposedly bringing a positive outcome to economic, social and political sectors and segments. The purpose of this research was to study the impact of the development project which was brought to Krasnodar region of Russia by the Olympic Games and to find possible ways to ensure future success of the tourism sector.

This bachelor's thesis was created by gathering and examining available data from diverse sources, such as official reports, independent experts' researches, journalistic articles and attestors' impressions. Statistical information depicting the numeral details was proceeded in order to create understandable diagrams for various analyses.

According to the research, the sum spent directly on running the event outperformed the one which was initially estimated but was still affordable. However, due to the escalated infrastructural costs, the final costs of the games made them the most expensive in history. The main purpose of such a serious investment was to create a modern, all year round, competitive resort region.

The results of the survey indicated the overall growth of the tourist inflow to the region, however, the data analysis revealed particular areas which require additional control and revision. Based on the information reviewed, some comments and proposals concerning the improvements were made.

Key words: Olympic Games, costs, impact, tourism

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1. INTRODUCTION

The Olympic Games is a mega event which long ago went beyond the description of just a sport occasion. The history of the winter Olympic Games started in 1924 when France carried out international sport week which was attended by athletes from 16 countries. For its time it was a great success and it later started to be considered as the first winter Olympics (Official Rio 2014).

In 2007 after applying for hosting the event the Russian city Sochi got the right to contribute to the history of the Olympic movement. The news started to cause controversial discussions from the very beginning. At the day when the results were announced Russian President Vladimir Putin stated the ability of Russia to spend US\$ 12 billion on preparation.

During seven years leading up to the event this amount drastically grew up to US\$ 51 billion (Yaffa, 2014). Taking into consideration the fact that almost 98% of all the investments were public, a conclusion can be made that the region was more unprepared for a big scale event then it was estimated. It became a question of prestige to finish all the construction and improve the image of Russia on international scene.

Nowadays the Sochi Olympics cannot be called completely successful. Despite the fact that International Olympic Committee stated that the event was an economical success and that the revenues exceeded its spending, they refer to the operational costs of the games and do not take into account all the funds spent on the regional infrastructure which makes the games the most expensive Olympics in history.

Disputing on the necessity of all the spending is still going on and the main reason of choosing this topic was the desire to analyze available information and make a conclusion whether all undertaken decisions can be justified. In the final part the writer of the thesis makes a list of proposals of possible ways for improving the current situation.

The paper was built on the data from the diverse information sources, publications of Russian and international journalists and on official data provided by organizations related to the creating and developing projects concerning the Olympics. Also the writer had an opportunity to interview people who have been visiting the city before, during or after the games. The information received from their impressions was accumulated and used for analyzing the current situation and as a support for improvement proposals.

2. THEORETICAL FRAMEWORK

2.1 Objectives and methods

The objective of the thesis was to analyze the situation formed in the tourism sector of Krasnodar region after Sochi 2014 Winter Olympic Games. To achieve it the following means were applied:

- Assessing the information about changes in the infrastructure during the preparation period.
- Assessing the available data on the resources used for creating the conditions satisfying all the requirements of the Organizing Committee of the Olympic Games.
- Analyzing the statistical information about the present state of infrastructure created for the region.
- Exploring the perspectives of increasing the tourist inflow and revenues as an outcome.

This bachelor's thesis was based on the wide range of articles published on the topic by international journalists and experts. The second type of sources was official reports completed by both official organizations directly related to the organizing process and by independent impartial companies.

2.2 General information on the impacts of Olympic Games

Among the factors listed in defence of hosting the Olympic Games experts mention economic growth, increase in tourism, rise in international awareness of the host city as a destination and attraction of new investors. In reality the success of the project depends on many aspects and is never secured by significant money inflows required to prepare the event. The total costs of organizing the Olympic Games escalated through the years and reached the point when their revenues are surely not exceeding the input. The two weeks event itself cannot be profitable enough in terms of revenues to acquit creation of a fully new sport infrastructure.

Influence on economy starts years before the occasion. First, to win the bidding the applicant city is supposed to present a project which itself requires big investments. To ensure the support of citizens usually the government states that the biggest share of funds will come from private investors, in practice almost all the costs are covered by taxpayers, as corporations realize the level of unreliability of this kind of investment (Appelbaum 2014). Nevertheless, the money inflow reaches the region and brings development and new work places. However, this is a temporary phenomenon, as we can see from the Greek example, its market lost 70 000 workplaces during the first three months after the Olympic Games in 2004. (Perryman 2012.)

Touristic sector is a segment which at the first sight is the one winning the most. Hosting the Olympic Games requires upgrading accommodation and transportation infrastructures which ensure the improvement of service level the city can offer to the visitors. Also the event itself apart from the sportsmen, journalists and professionals attracts a lot of travelers. However, many studies reveal the fact that audience of the games is more likely to replace ordinary tourists than to supplement them. Travellers are scared by overcrowding and increase in price level related to the Olympic Games. In their turn visitors drawn to the location by the event do not have same behaviour patterns as usual ones and by this means they do not contribute to the profit of local businesses. As an example, in summer 2012 the Buckingham Palace in London received less visitors than the previous years. (Manfred 2014; Perryman 2012.)

Media attention drawn to the city for an extensive period of time is likely to create a good image and build a base for a future success of a host city as a touristic destination. Although, it is hard to estimate how effective will the outcome of media attention be because of differences in status of potential host cities. In 1992 Barcelona received a significant push towards being one of the European resort capitals, while London was a popular touristic destination long before the Olympic Games of 2012. One of the biggest income sections is broadcasting revenues. Every year the number of viewers of the Olympic Games increase and the revenues from selling the broadcasting rights grow respectively. It is said that the number of viewers ensure future increase in tourism and business opportunities for the city. (Zymbblast 2013; Theyson 2013.)

Many studies show that the real profit in terms of growth and image improvement were gained by the applicant cities which were not chosen to host the Olympic Games. The initial stages of preparation were enough to assure investors of the willingness of the country to make business and show that the economical state is strong enough to secure their capitals. Also those countries were not engaging themselves into the debts connected to construction of sport venues which usually transform into useless and costly in terms of maintenance investments. (Theyson 2013.)

2.3 Structure of the thesis

The thesis consists of introduction part, three main body chapters and a discussion. Chapter three focuses on the background of Sochi region, reasons why it was chosen to host the Olympic Games and costs related to the organization of the event. Further, chapter four describes the outcomes and impacts of the games upon different segments. In chapter five post-Olympic situation of the region and current processes in tourism sector are described.

3. BACKGROUND

3.1 History of Sochi region

Sochi is the biggest summer resort city in Russia situated on the coast in the South of the country. The year average temperature is about +14 degrees Celsius, it is surrounded by the mountains and has a UNESCO World Heritage Site by its side. For many decades already nice climate, sea and mineral springs attract Russian tourists to the city. (Welcome to Russia.)

This resort was discovered by nobles of Russian Empire in the end of the 19th century and was made a capital of health and spa tourism. Right before the revolution of 1917, with a population of 13 000 people it was annually attracting about 18 000 visitors. And not only for regular aristocracy, the region was a favorite summer destination for the Emperor and his family.

This popularity was benefiting the city and its infrastructure. By the beginning of the 20th century the electricity and public transportation along the shore was fully functioning. Sochi became one of the leading resorts and was competing with Crimea for the first place. (Sochi Magazine.)

In the 30's when the most difficult years connected to the revolution and the civil war were over the government started to rebuild and develop the region with an intention of making it a vocational destination for the Soviet people. According to extensive plan many sanatoriums were built and some of them are still in use and can be seen along the coastline on the way from Sochi to Adler. Also cultural venues such as Sochi's Art Museum and the Winter Theater were opened at this period. (Sochi Magazine.)

The difficult period of WWII temporarily suspended existence of the resort and Sochi was used as a hospital center until 1942 in which the city became available for the German airstrikes. All the hospitals with the staff and patients were evacuated. The city was remaining a frontline until February 1943. (Sochi Magazine.)

Few years after the war was over the development process of the city was revived and during the 50's new train station and port were created and became a image stating sites of Sochi (SRAS 2015). In 60's a new general plan was applied and the main objective was to increase the capacity of the resort by four. It brought massive construction work and made possible receiving up to 200 000 people per year (Sochi Magazine).

After USSR breakdown the region as all the other parts of the country went into economic recession and without proper subsidizing started to lose its positions. The infrastructure started to crumble, many sanatoriums were shut down and the flow of the tourists dropped significantly. Though the decrease was not only connected to the worsened conditions but also to the fact that citizens did not have enough money to travel in general. (Sochi Magazine.)

After it was chosen to be the Winter Olympics' location in 2007, it got significant amounts of investments for all the aspects of infrastructure. This put Sochi to the still ongoing discussion about economic, political and social problems in Russia.

3.2 Preparations and bidding process

To illustrate the difficulty of selecting the host city the process is described. Every location for the games is chosen seven years prior to the event. All the cities interested in competing for the occasion are supposed to send an application letter to the International Olympic Committee. Candidate cities are chosen based on economic, social and infrastructural criteria. Later, through multiple stage selection of special Evaluation Commission, finalists are announced and after the final elections the host city is declared.

The purpose of the bidding in the first place is quite obvious. As the Olympic Games have a long time ago transformed into a status creating event, the winning offers to the host country high investments, international media attention and often becomes a point of national pride. (Yaffa 2014.)

For Sochi bidding in 2007 was the second try to win the right for being the organizing city. In 1994 the local government held a referendum which resulted into applying for the

winter games of 2002. It shows that the project of developing the region in the direction of a year round resort was planned long ago. But weak economic situation did not allow to win the bid and the project was postponed till 2007. (Sochi Magazine.)

3.3 Costs of Winter Olympic Games

For many years already Olympic Games are not just about sport but it turned into a mega event which is used by the host country to attract attention, enrich infrastructure, boost tourism and it always becomes a question of the prestige for organizers. After the summer Olympics in Beijing, which spent US\$ 40 billion on the preparation in 2008, experts were not expecting any other games to overcome this sum anytime soon. Even the number estimated in 2007, when the bidding was won by Sochi, was four times smaller than the final amount spent by the beginning of the games. In 2013 Olympstroy stated the sum of US\$ 51 billion spent, what makes it the most expensive Olympics in history. (McCarthy 2015.)

The controversial discussions about the final costs are still continuing. The costs can vary depending on the point of view and on segments included in the final calculations. The total amount can be divided into three groups: 1. Infrastructure costs 2. Games related costs 3. Operational costs. Some experts keep claiming the money spent on infrastructure should not be included in the final calculations. (RB 2012.)

1. Infrastructural costs are the biggest share of the total sum and include spending on building new roads, railways, upgrading the airport, bus and train stations, constructing hotels and other buildings not directly related to the Olympics.
2. Games related costs are on the second place in the chart. They are directly connected to the games and include all the sport venues required by the International Olympic Committee such as stadiums, ski tracks, Olympic villages, media centers and all infrastructure related to them.
3. Operational costs include all the spending during the event which consist of budget for staff's salaries, funds for volunteers, opening and closing ceremonies, awarding and in the case of Sochi a big sum was reserved for the security as the location is situated next to Caucasus region.

3.3.1 Budget sources

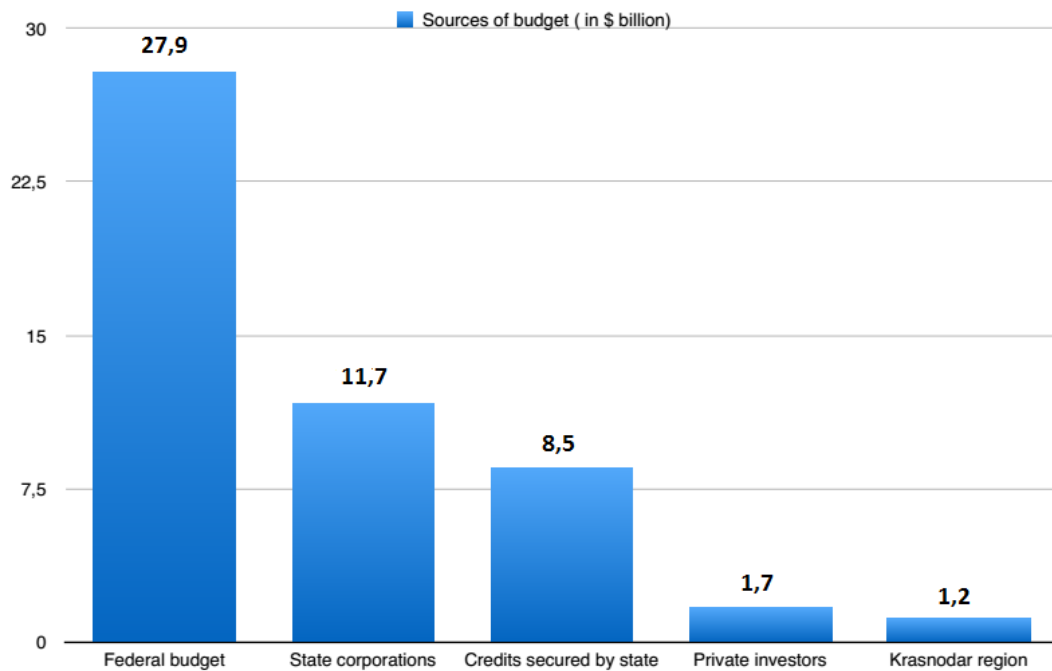


FIGURE 1. Sources of Sochi 2014 Olympic Games' Budget (in billion US\$)

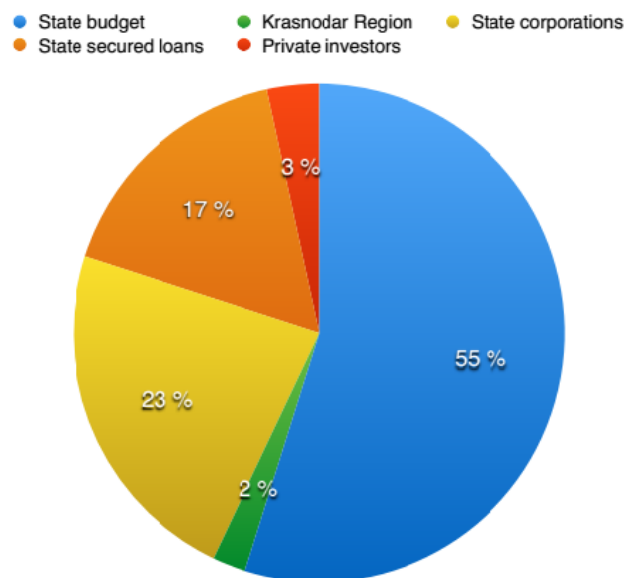


FIGURE 2. Sources of Sochi 2014 Olympic Games' Budget (in %)

1. Federal budget, US\$ 29.9 billion

More than a half of all money was received by two state agencies - "Olympstroy" and "Russian Railways". "Olympstroy" has spent US\$ 6.8 billion on 11 sport facilities, most of which were built at an inflated price. For example, the main stadium of the Olympic Games "Fisht" costed 2.5 times more than any other similar venue per seats.

Russian Railways received even higher budget - US\$8.3 billion which were spent for the two dozen of infrastructural projects. The company was involved in construction of the highway "Adler - Krasnaya Polyana", the total cost of the road was US\$ 9.5 billion, what makes it the most expensive project of the Olympic Games. .

From 2008 to 2014 the government spent US\$ 0.6 billion on the security. The amount was even higher than expenses of London 2012 Olympics. It is related to Sochi being located close to the Caucasus region and high risks of terrorism. (FBK 2014.)

2. Krasnodar region budget, US\$1.2 billion

Another major expenditure was a transfer of US\$ 2.86 billion to the Krasnodar region budget. In addition, the region spent US\$ 1.1 billion of its own money, most of which was a contribution to the Krasnodar Region owned company "Center" Omega ", which built the skating venue "Adler-Arena ". (FBK 2014.)

3. State companies, US\$ 11.7 billion

The biggest investors of the Olympics were "Gazprom" and the "Russian Railways" – US\$ 4.92 billion and US\$ 2.6 billion, respectively, the rest - Sberbank and three biggest electricity companies. In some reports these investments were stated as private but they cannot be considered to be so as they are incorporated in the tariffs of state monopolies: ticket prices, electricity and gas. Also the federal budget annually allocated funds for Russian Railways' large-scale investment program. (FBK 2014.)

4. State secured bank loans, US\$ 16.6 billion

All the major private investors - Vladimir Potanin, Oleg Deripaska and Viktor Vekselberg received substantial (up to 90% of project cost) support from the bank Vnesheconombank. This is a very high leverage and normally commercial banks generally do not lend more than 66% of the project costs.

In the autumn 2015 it became known that out of twenty loans with the total sum of US\$ 8.3 billion, nine - for about US\$ 6.3 billion - will have to be restructured. According to the business newspaper Vedomosti, "the projects are unprofitable and non-performing loans without additional support measures". This also was admitted by Vladimir Potanin in an interview. (FBK 2014.)

5. Private investments, US\$ 1.7 billion

In the officials' reports such investors as "Gazprom", Sberbank, Russian Railways and others associated with the state structures were named to be private. According to the rules of international financial reporting, such investments are considered state owned. In fact, private money inflows were less than 4% of the total budget and were not 60% as was claimed by the President of the Russian Olympic Committee Alexander Zhukov (RB 2012). Private capitals were invested by the owners of the projects and were aimed to fill the gap between the needed sum and money taken from the bank (FBK 2014).

3.3.2 Budget overruns

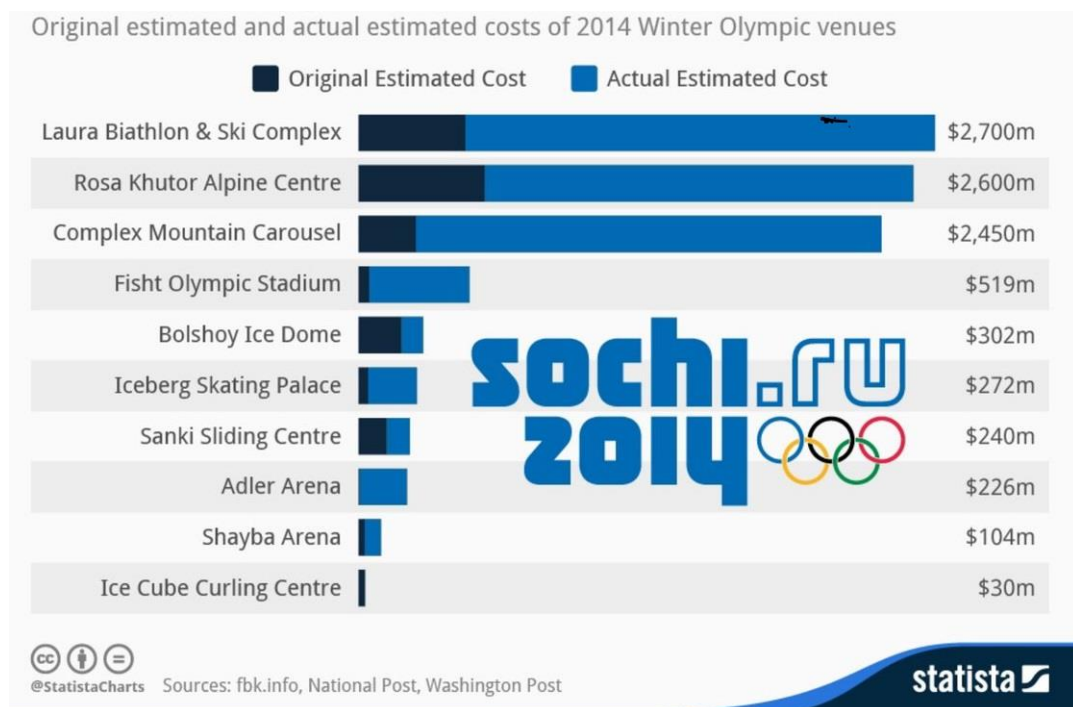


FIGURE 3. Original estimated and actual costs of Sochi 2014 Olympics (Statista Charts)

Sochi 2014 Olympic Games will be remembered for many record numbers and the main one is of course the total budget of the construction. It is in a way surprising as the whole event was significantly smaller than Beijing Summer Olympics which hosted 300 events and received about 11000 sportsmen while Sochi gathered 2 500 athletes for 86 events. Also China's US\$ 40 billion budget included building 40 Olympic venues when Russia constructed only 15. (Yaffa 2014.)

As we can see in the figure three all the costs calculated in 2007 grew significantly and overcame all possible estimations. The highest overrun is owned by Laura Biathlon and Ski Complex with exceeding the original costs by US\$ 2.2 billion. The main stadium Fisht which hosted Opening and Closing ceremonies overcame the original costs 10 times and instead of US\$ 49 million costed the organizers US\$ 519 million. (McCarthy 2014.)

Initially the fact that the costs will grow was obvious but as during the previous Olympics organized in Russia in 1980 the sum of only US\$ 3 billion was spent, no one was expecting overruns of a gigantic scale. Already by 2012 officials were admitting that expenditure reached nearly US\$ 33.5 billion and was still escalating. (RB 2012).

Nowadays, almost two years after the end of the Olympic Games, the spending and investments are still growing. Experts claim that at least from 10 to 15% out of the total amount spent is needed to be added. According to a Russian oligarch and one of the investors of the Olympic construction Oleg Deripaska, those resources together with two or three years of time are needed to rearrange and rebuild infrastructure of the Olympic Games into resort friendly. (Fedorova 2014.)

The international community was fascinated not only by the scale of costs but mostly by the real reason the whole project of construction became so expensive through the time. Independent experts and researchers were providing undeniable evidences of severe cases of corruption and stealing. By some modest calculations, up to 70% of the funds were not used as stated in the final reports. (FBK 2014.)

4. IMPACT OF OLYMPIC GAMES

4.1 Impact on tourism

Due to the factual presence of the Olympic Games, the touristic sector was growing. The region has always been the resort capital of Russia and on the first place bidding for the opportunity of hosting this mega-event from the very beginning was directed upon boosting the vocational infrastructure and attracting new visitors with wider variety of options related to the tourism sector.

When in 2007 the general plan was presented, the number of rooms were around 31 000. Because of the fact that most of them were situated in the old hotels and sanatoriums built during the years when the Soviet Union was still existing, only 1 700 of those were qualified with the modern standards and were ranked by present day star system. Accommodation sector was supposed to undergo some major changes.

By 2014 around forty new hotel-like venues were built increasing the capacity of the region by 22 000 rooms. This made the number of accommodation facilities around 420 with a total number of 57 000 rooms. All those new buildings were allocated around the region close to the Olympic venues. Olympic park got 8 000, ski resort Krasnaja Poljana 1 600 rooms, Malyi Akhun 5 300 and the central Sochi's capacity was extended by around 1 200 numbers. (Sochi Magazine.)

During the Olympic Games occupation of accommodation venues was equal to 98%. It can be considered a success of this sector as not only official hotels were taken into consideration but also unclassified hotels, private apartments and guest houses. (Petrova 2014.)

4.2 Impact on infrastructure

Infrastructure was the main cause of expenses during the preparation for the upcoming games. It was obvious that the region had to undergo a lot of changes in order to meet all the requirements and to host such a big international event. While during the bidding process it was not completely clear what will be done in regard to the game-related infrastructure, the common one was already been partly developed. Further on almost all of it was completed and went into trial and later to full use before 2014.

Telecommunications

The new telecommunication system would be needed not only due to the big load of data transferred during the games but also for all the following events which are planned to be hosted by Sochi grace to the new conditions allowing organization of a bigger scale fairs, ceremonies, festivals and sport events. (Ljutsau 2013.)

Digital broadcasting systems were developed in the region. Radio and television were supported through building communication towers and constructions. The plan of enriching teleconnections included intercommunication center which was broadcasting signal worldwide through help of three HDTV satellites. (Ljutsau 2013.)

An ambitious project of spreading 712 km of fiber-optic cables between Sochi and Adler secured the connection for the winter of 2014 while a system of special mobile and radio connections was able to support up to 10 000 users at a time.

Energy infrastructure

In May 2009 Sochi 2014 Organizing Committee prepared a seminar during which representatives of Ministry of Regional Development and Ministry of Energy presented a five year plan for increasing power supply ability of the region to fulfil the needs of the Olympics and all the possible events after it. The plan suggested increasing the capacity by 2,5 times by the beginning of 2014. (RBK 2007.)

The new power stations were put into functioning starting from 2009 and by 2012 at least 6 new plants were supplying the locations with energy. Some of the points were built in direct proximity of winter venues of Rosa Khutor and Krasnaya Poljana (Gazprom 2009).

Transportation

Transportation was the biggest article of spending and the most useful investment for the region as it was benefiting everybody including locals and tourists. The most expensive project of the Olympic construction also belongs to this sector of infrastructure. The tandem of a railway and a road going from the costal line up to Krasnaya Poljana resort costed US\$ 9.4 billion which exceeds the total budget of Vancouver Olympics. (Foxnews 2014.)

Airport

Sochi International Airport was upgraded and modernized in order to withstand the rotation of the passengers increased during the period of the Olympics. Its runway was extended by 3,5 km and had to cross a 300 meter river (Yuga 2007). To provide the support of the main flight location, by 2009 three smaller airports in Gelendzhik, Mineralnye Vody and Krasnodar were built (Sputnik 2007).

Sea port

To enable opportunity of receiving large cruise ships a new modern sea port was built offshore. The terminal goes 1,5 km into the sea and is capable of receiving the ships with up to 3000 passengers aboard (Devlin 2014).

Train stations

In Adler a completely new railway station was built from scratch. At the same time the building of the old one was preserved and not ruined. Also two other new stations were constructed in the proximity of the Olympic objects and were significantly easing the access to them. All together seven train stations were renovated and modernized including the main Sochi station.

Railroads

A net of fast new commuter trains connected the main airport with the city centers of Adler and Sochi (Gold 2012). A number of minor track lines were renovated. The biggest project of an alpine road which costed more than US\$ 9billion eased the way to reach mountain winter resorts. The high costs were caused by the necessity of building several tunnels right through the mountains. (Capps 2015.)

4.3 Olympic infrastructure

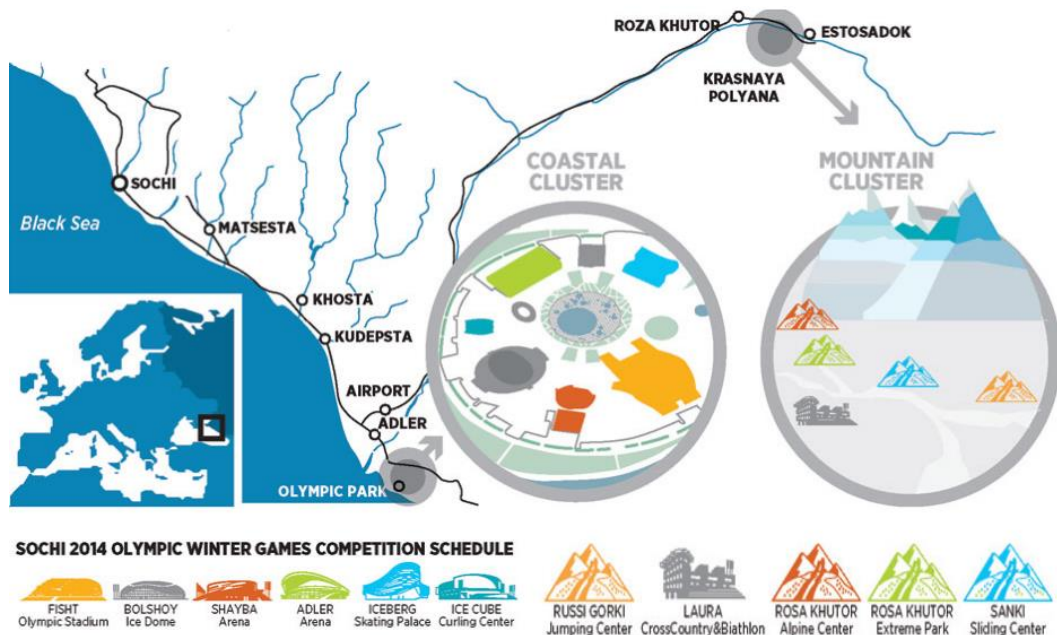


IMAGE 1. The map of Olympic venues (RBTH)

Especially for the Olympic Games 15 venues were built or significantly modified according to the requirements of the Olympic Games Organizing Committee. All of them were constructed in regard with all stated points. Taking into consideration the climate conditions, the venues were located in two major zones: in the coastal area of Adler city and in the mountain cluster. Transportation between two destinations was supported by a new built rail system and was taking about one hour.

The venues of the Sochi 2014 Winter Olympic Games

Coastal Cluster:

- Adler Arena was constructed to accommodate Speed skating events and had a capacity of 8 000 viewers.
- Ice Cube Curling Center was specially built for Curling matches and had a volume of 3 000 seats.
- The venue for Ice-hockey - Shaiba-Arena - which took name from the Russian word for “puck”, could hold up to 7 000 spectators.
- The second location for Ice-hockey games had a bigger capacity than the first one. Bolshoi Ice Dome was able to intake 12 000 viewers.
- Iceberg Skating Palace was hosting the most watched tournament of the whole event - Figure skating and also the speed skating. The palace had a possibility of seating 12 000 guests.
- The biggest venue was Fisht Olympic Stadium where the opening and the closing ceremonies were held. It allowed 40 000 people to be present at those spectacular events.

Mountain Cluster:

- RusSki Gorki Jumping Center was consisting of two springboards and had a volume of 7 500 visitors.
- Rosa Khutor Extreme Park is a big location with two platforms. Freestyle Skiing Center with ability to allocate 4 000 spectators and Snowboard Park for 6 250 people.
- Laura Cross-Country Ski and Biathlon Centre is the venue consisting of two different locations, one for biathlon and the second for cross-country skiing with a total capacity of 7 000 guests.
- Rosa Khutor Alpine center is another part of the resort with a total distance of 20 km of tracks. It hosted alpine skiing and could intake 7 500 spectators.
- Sanki Riding Center is a venue for bobsleigh, skeleton and luge. The track is 1.5 km long and the capacity is 5 000 seats. (Olympic.org 2014.)

The Olympic Games also contributed to educational sector. A Russian International Olympic University was established in a tandem with National Olympic Committee. It is situated in Sochi and the programs are directed to sport business area. (RIOU 2015.)

5. CURRENT SITUATION IN TOURISM OF SOCHI REGION

5.1 Present position of Sochi as a touristic destination

Once in the past Sochi was a successful summer resort and usually the only available option for people from the whole country. Now after all the infrastructure improvements and incredibly high investments there is a challenge of attracting enough of tourists to make the region profitable again. The holiday culture is only starting to be introduced and out of the 4 million tourists only 25% stay at the official hotels, all the rest seek accommodation in the private sector. It forces owners to drop the prices and offer major discounts during the off season. Though it is not the case during the peak season as the hotel occupancy rates increase. (Toor 2014.)

The drastic decrease of the ruble value from 45 rubles to 1 euro in January 2014 till 60 in November of the same year made the prices of vacations on Russian resorts more than affordable for foreigners (Demirjian 2015). But unfortunately some factors are standing in front of bigger amounts of tourists travelling to Sochi. First of all even after some major modernizations some sectors and the overall service level have not reached standards of European resorts. Moreover the lack of direct transport connections makes reaching the destination more expensive as almost all the cases require transfer through Moscow or Saint Petersburg.

Recently, at the same time with political and economic connections with China, Russia started to develop touristic relationships. The boosting economy of China allows its citizens to travel more. Nowadays around 600 000 tourists visit Russia every year and the officials declare that the country is able to accept up to 2 million travelers per year. Concerning this fact, Krasnodar region is planning to open direct flights between Sochi, Beijing and Changzhou. (Hua 2015.)

The factors such as political situation, travel restrictions of certain groups of people and weakness of ruble, dropped the overall flow of Russian tourists abroad and gave home resorts a positive growth in number of visitors. New winter infrastructure made the quantities of guests increase not only in summer season but also in the snow period. Already

during the first New Year holidays after the Olympic Games the mountain locations of Sochi region reached their maximum capacity. (MacDonald 2015.)

In the past the main action was tied to the central Sochi. After such a great input of money, the government was planning to widen the variety of services provided. Sochi is becoming a center of event tourism, shopping tours, gastronomic trips and ecotourism. The region uses the image of Olympic Games to develop high class winter ski resorts. (Petrova 2014; Sochi Magazine.)

The drawbacks of the current political situation of course touched the region in a negative way. Some major events as for example G8 Summit which was supposed to be held in Sochi was cancelled and instead G7 meeting was held in the Netherlands (Pace 2015). Other events were held according to the plan such as The Sochi International Investment Forum which helps to develop connections between business and government (IIF 2015).

After annexation of Crimea it became a new national project for the Russian government. Right away significant amounts of money were directed for its support, and it was declared a priority to develop tourism in the region. The flight and train tickets to the peninsula were subsidized from the state budget which dragged away a part of potential visitors from the Sochi region. (Fedorova 2014.)

5.2 Tourism statistics 2014-2015

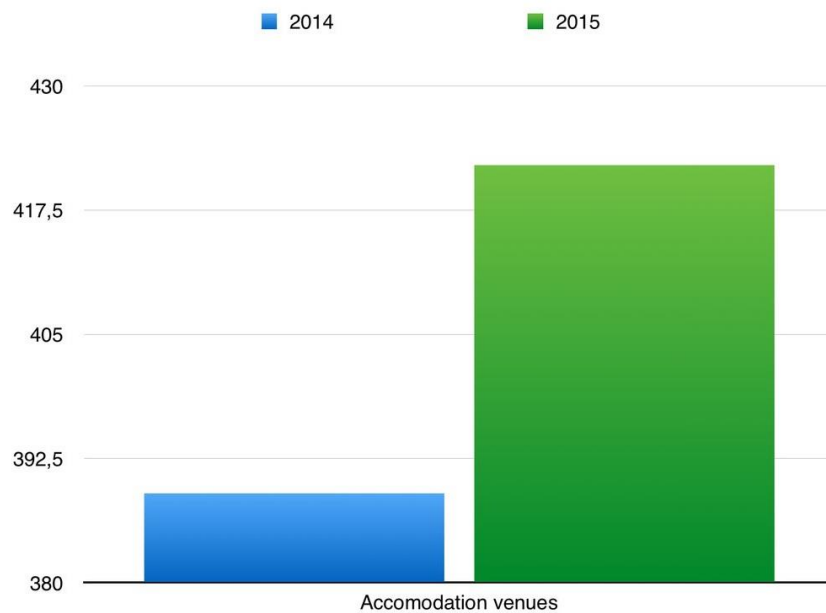


FIGURE 4. The number of accommodation venues in 2014 and 2015

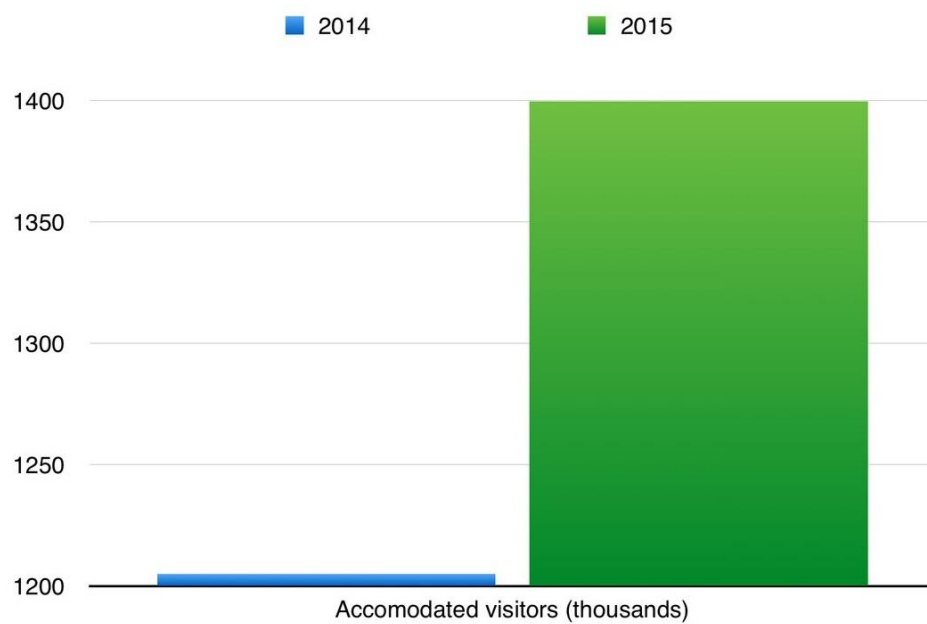


FIGURE 5. The number of tourists registered in the official accommodation venues in 2014 and 2015

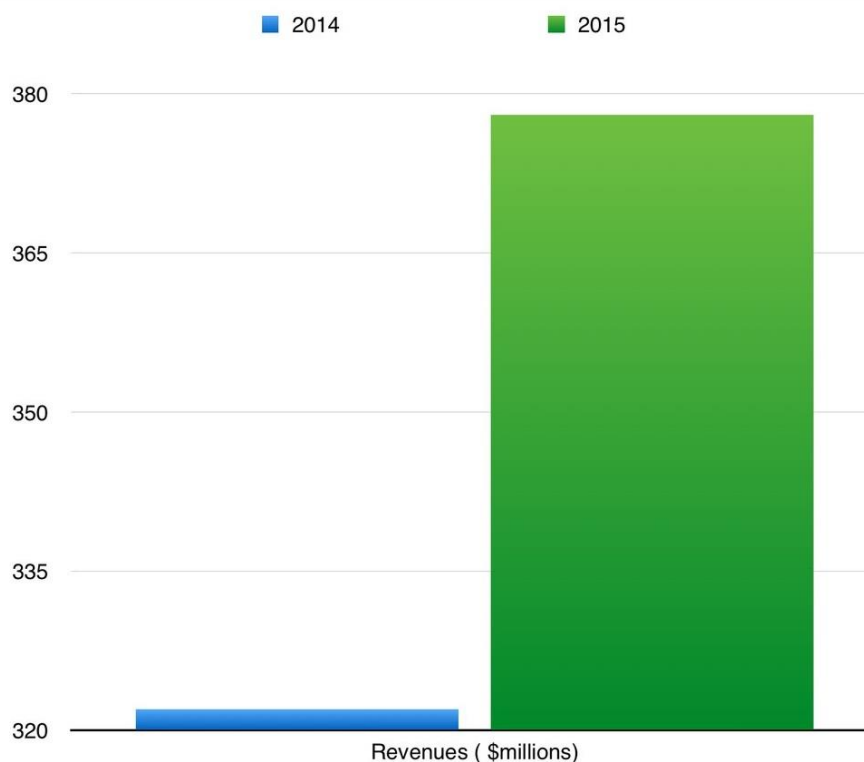


FIGURE 6. The revenues for similar periods of 2014 and 2015 years (transferred to US\$ according to the time relevant exchange rate)

The source of the data for figures four, five and six is Russian Federal Service of State Statistics. Final numbers were calculated for the corresponding periods of January-June 2014 and 2015 years. According to experts, the number of visitors in 2015 compared to the same period in 2014 increased on 16% and the revenues respectively grew on 17%. (Rosstat 2015.)

The resort region has greatly developed from accepting 18 000 visitors per year in the beginning of 20th century till more than 4 million in the beginning of 21st. The present plan of evolution implies further growth of the tourist flow.

Before Olympics the occupation rate of the hotel sector was around 48%. Recently the number of rooms increased almost twice. It means that to keep the rate at the same level, the total number of visitors should also grow almost twice. (Petrova 2014.)

5.3 Nowadays usage of facilities

In regard to the investments spent on the construction in the area, officials were thinking through the post-Olympic usage of all the facilities in advance. Some of them were planned to be disassembled and moved to the other Russian regions. In practice it was found impossible, inconvenient or too expensive. The decision was made to repurpose them and make the biggest benefit out of their usage. (RB 2012.)

The media center - large scale modern venue - became the main stage for the big international events. It was ready to host G8 Summit, but it was cancelled due to the challenging political situation (Pace 2015). Instead it became a location for International Investment Forum (IIF 2015) and Russian-Finnish Forest Summit.

The biggest stadium Fisht is announced to be the official training point for national football team and it will be used as one of the locations for 2018 FIFA World Cup (Ganeev 2014).

Shaiba stadium was decided to be transformed into Russian National Children Center (Fedorova 2015).

Bolshoi Ice Stadium became the home for the local professional ice hockey team “Leopards” and attracts up to 9 000 fans per game (MacDonald 2015).

Iceberg Skating Rink is rearranged into cycle race track and is used as a venue for different kinds of sport events, competitions and championships.

Adler Arena was reconstructed into Tennis Academy. Supporting the ice system was not profitable. Current type of maintenance cuts expenses 10 times and helps to cover the money spent on the construction (IOC 2014).

Coastal Olympic Village is spread on a wide territory and during the games was used as accommodation for volunteers, athletes and delegations. Now it is redecorated into apartments and it is on sale (Leybin 2013).

Nowadays Sochi is a home to many events, the list of which is constantly growing. Among the new ones we can trace those which were held there for decades. Such cultural events as New Wave Singing Contest and International KVN Festival have a long history connected to the city. Since 2014 Iceberg Skating Center is fully sold when Ilja Averbuch brings his professional Skating show with Olympic stars dancing (Fedorova 2014). These occasions create positive image of the city and attract a fair share of visitors.

Among new significant events is Formula 1 racing which was held for the second time this year and proved to be a total success. It is held in autumn after the high season is over what shows that the event itself can be the reason for many people to travel to a resort city even in a low period. The decision of constructing the race track was made before the games and the fast arrangements made it possible to open the first race in the autumn of 2014.

The mountain villages are now fully functioning winter resorts. During the New Year holiday period they are fully booked and the regional government has to discourage locals from travelling to the area to avoid overcrowding. Also the resorts are trying to revive and develop mountain ecotourism as once it was the hiking capital of the country and all the best routes were lying through the area.

6. DISCUSSION

The analysis of the present situation in Krasnodar region shows that the aims of attracting new flows of tourists have partly been achieved. But when the initial numbers are compared, we may conclude that in terms of the amount of money put into the development the revenues are not sufficient yet.

The period of time passed after the games is still too short to predict the future progress. However, if we examine the experiences and examples of other similar cases, the prospects seem to be positive. Sochi was not the first small city which decided to be responsible for the event of a greater scale to give a push to the region's economy. The number of travelers in Turin in 2001 was not exceeding 550 000 per year. After the Olympics this number doubled and by 2012 was more than a million. From this example we see that notable outcomes can be noticed only after a row of reported time intervals. (Yaffa 2014.)

The most expensive project - alpine railroad - with a price tag of more than US\$ 9.5 billion is turning out to bring the biggest losses. The theoretically calculated price for a one way ticket is too high – about US\$ 25 for half an hour ride. It does not correspond with the country's average price rates and the financial abilities of the citizens. The Russian Railroads made an agreement by which they kept the prices at the moderate level which makes the single ticket price 10 times cheaper – US\$ 2.5. On the other side of the agreement the Krasnodar region government subsidizes and covers losses of the transportation company. Up to the present time these obligations were not fulfilled and the transportation organization reduced the number of trains and races to the mountain resorts.

This creates difficulties for the ski villages and the travelers. Only six times per day speed train Lastochka cruises between stations. It creates misbalance, during the low season the trains travel almost completely empty and on the high season with the same schedule the trains are overcrowded. The proposal of the writer on this difficulty is to adjust the number of races according to the period of the year and rate of the demand. Another change may be the price of the ticket which can be twice higher than US\$ 2.5 and still be affordable. As the regional budget is now under a great pressure of supporting a lot of projects, during the high season the winter resorts could take a part of liabilities in front

of the service providing company and take a share of subsidizing the full price. It can help to adjust the balance between the amount of trains and increase the comfort of the travelers.

One of the main features of the resort now is the universal state of being a all year around location. The coastline with an average winter temperature $+14^{\circ}$ Celsius offers mild climate and a possibility after only 30 minutes ride to enjoy all types of winter sports. In summer the sea, beaches, national parks and hiking mountain paths offer all types of leisure activity possibilities. However, to make such a big investment profitable, it is not enough. An increment of number of travelers should be much higher to support all the hotels and companies.

The most obvious way to create a bigger push in this direction is to develop event-based tourism. It is already proven by the success of Formula 1 which was already twice held in Sochi and both times attracted big amounts of tourists. In practice a bigger support is needed. Local activists arranged and held the first in Russia surfing festival inspired by similar events in Australia. Unfortunately, the government does not see the potential of the smaller occasions. It might be a mistake as the wider line of events can attract a bigger clientele.

During the seven years of preparation the whole room capacity was renovated and as an outcome increased in two times. In previous years the majority of visitors was preferring to stay in the private sector and only 25% of all tourists were accommodated by hotels. Now to secure that more people use official hotels the price range should be held on an affordable level for the average Russian citizen, as it is obvious that the main customer segment consists of national tourists.

Another question is attracting foreigners to the region. The main option is again the event tourism. Big international fairs, competitions and championships will bring at the lowest estimations the participants of the events, accompanying guests and journalists. The lack of direct connections is a drawback in this situation. At the moment the airport is directly connected only with big Russian cities and a short list of the cities of former Soviet republics. Tourists from further destinations have to make a transfer in Moscow or St. Petersburg. The proposal for solving this problem would be arranging direct flights from

major European destinations. The optimal decision would be to schedule flights in accordance with high season and the events.

Based on the numbers provided by Russian Federal Service of State Statistics it is possible to say that in a long run perspective Sochi has high chances of improving its economic situation and succeeding as a product of federal budget investment. Two years after Olympic Games the inflow of visitors grew 16% which is a good index considering deterioration in Russian economic and political situation. In 5, 10 and 20 year time it will be possible to trace clearer line of changes. In the future same segments of infrastructure can be analyzed and the results can be compared

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